

SAN JUAN SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

**SAN JUAN SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

Honorable Board of Education
San Juan School District
Blanding, Utah 84511

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Juan School District, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

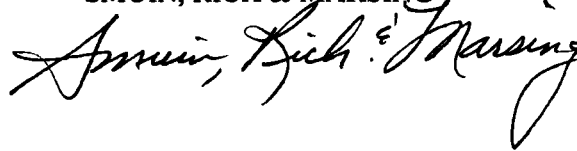
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Juan School District as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 11 and page 49 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2006, on our consideration of San Juan School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements of San Juan School District, taken as a whole. The combining and individual fund and schedules listed in the foregoing table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. These financial statements and schedules are also the responsibility of the management of the District. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name of the firm.

Price, Utah

September 7, 2006

Management's Discussion and Analysis

As management of San Juan School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$42,581,765 (*net assets*). Of this amount, \$14,483,899 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$424,894 or 1%. Net assets used for governmental activities, increased \$211,141 while net assets used for business-type activities increased by \$213,753. The increase in net assets used for governmental activities was due to positive budget variances in the areas of instructional services, central support services, district administration and instructional support services.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10,764,095 or 36.5% percent of total general fund expenditures.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and other supplementary information.

The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements provide both short-term and long-term information about the district's overall financial status.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include but are not limited to student instruction, administration at the school and district level and operation and maintenance of facilities. The business-type activities of the District include staff housing, and the district's media center.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *government activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 50 and 51 of this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The budgetary comparison statement can be found on page 49 of this report.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

Proprietary funds. The District maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its staff housing and media center activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District maintains one internal service fund to account for its centralized warehouse. Because these warehouse services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 18 through 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The District maintains two fiduciary funds. The County Recreation Fund is maintained to account for resources held for San Juan County for county recreation programs. Also, the Student Activity Fund is maintained to account for resources held for student activities and groups.

The basic fiduciary fund financial statements can be found on pages 23 and 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 48 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain Combining and individual fund statements and schedules that provides additional detail on certain non-major funds. Combining and individual fund statements and schedules can be found on pages 49 through 53 of this report.

Government-wide Financial Analysis:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$42,581,765 at the close of the most recent fiscal year.

The largest portion of the District's net assets (55 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding (see summary following). The District uses these capital assets to provide services to students and other patrons; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

SAN JUAN SCHOOL DISTRICT'S Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2005-2006
	2005	2006	2005	2006	2005	2006	
Current and other assets	\$ 28,774,814	\$ 29,000,320	\$ 628,886	\$ 978,822	\$ 29,403,700	\$ 29,979,142	2.0%
Capital assets	24,072,992	24,577,071	3,335,209	3,225,186	27,408,201	27,802,257	1.4%
Total assets	\$ 52,847,806	\$ 53,577,391	\$ 3,964,095	\$ 4,204,008	\$ 56,811,901	\$ 57,781,399	1.7%
Long-term liabilities outstanding	\$ 6,785,334	\$ 6,622,669	-	-	\$ 6,785,334	\$ 6,622,669	-2.4%
Other liabilities	7,869,254	8,550,363	\$ 442	\$ 26,602	7,869,696	8,576,965	9.0%
Total liabilities	\$ 14,654,588	\$ 15,173,032	\$ 442	\$ 26,602	\$ 14,655,030	\$ 15,199,634	3.7%
Net Assets:							
Invested in capital assets, net of related debt	\$ 19,141,798	\$ 20,412,923	\$ 3,335,209	\$ 3,225,186	\$ 22,477,007	\$ 23,638,109	5.2%
Restricted	3,878,572	3,948,399	283,637	511,358	4,162,209	4,459,757	7.1%
Unrestricted	15,172,848	14,043,037	344,807	440,862	15,517,655	14,483,899	-6.7%
Total net assets	\$ 38,193,218	\$ 38,404,359	\$ 3,963,653	\$ 4,177,406	\$ 42,156,871	\$ 42,581,765	1.0%

An additional portion of the District's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$14,483,899) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net asset amount has been designated for the following purposes:

- Designation for undistributed reserve of \$1,500,000 or 5% of general fund budgeted revenues. As allowed by state law, the district has established an undistributed reserve within the general fund to allow for contingencies and possible reductions in state or federal aid. This designation may not be used in negotiation or settlement of contract salaries.
- Designation for program carryovers of \$1,100,833. This designation represents amounts allocated for certain programs that were not utilized during the fiscal year. These unused amounts will be reallocated for use in these programs in subsequent years.
- Capital outlay and building reserve funds of \$8,234,766 that may only be used for capital outlay purposes. Generally, these funds may not be expended for employee wages or benefits or for most operating functions of the district.
- District retirement benefit. The District provides a retirement benefit for eligible retired employees. This benefit is recorded as an expense as it is paid to employees. Employees who elect to retire and are eligible for the District's retirement benefit receive payments for up to five years. The District estimates its retirement benefit obligation for current retirees is \$2,789,523 as of June 30, 2006. Beginning July 1, 2007, all active employees will be converted to a new benefit program and the existing program will be phased out. The cost of conversion will reduce future obligations to retirees but will cost approximately \$2,000,000 for a one-time payout to eligible employees (see note 14 for additional information regarding this new program).

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The District's total net assets increased by \$424,894 or 1%. Net assets used for governmental activities increased \$211,141 while net assets used for business-type activities increased by \$213,753. The increase in net assets used for governmental activities was due to positive budget variances in the areas of instructional

services, central support services, district administration and instructional support services. The increase in net assets used for business activities was due in large part to the transfer of funds into the rental units fund in the amount of \$123,000. These funds are intended to offset the cost of depreciation of housing units and will be used to renovate existing units as the need arises.

Following is a summary of changes in net assets from operating results:

SAN JUAN SCHOOL DISTRICT'S Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2005-2006
	2005	2006	2005	2006	2005	2006	
Charges for Services	\$ 241,495	\$ 496,202	\$ 372,788	\$ 301,677	\$ 614,283	\$ 797,879	29.9%
Operating grants and contributions	11,832,667	10,372,359	-	-	11,832,667	10,372,359	-12.3%
Capital grants and contr.	157,424	153,715	-	-	157,424	153,715	-2.4%
General revenues:							
Property taxes	4,193,538	4,254,206	-	-	4,193,538	4,254,206	1.4%
Federal and state aid not restricted	18,263,968	17,673,219	-	-	18,263,968	17,673,219	-3.2%
Earnings on investments	536,712	974,410	12,851	23,074	549,563	997,484	81.5%
Miscellaneous	488,004	581,107	-	-	488,004	581,107	19.1%
Total revenues	<u>\$ 35,713,808</u>	<u>\$ 34,505,218</u>	<u>\$ 385,639</u>	<u>\$ 324,751</u>	<u>\$ 36,099,447</u>	<u>\$ 34,829,969</u>	-3.5%
Expenses:							
Instructional services	\$ 18,333,825	\$ 18,865,306	-	-	\$ 18,333,825	\$ 18,865,306	2.9%
Supporting services:							
Students	1,520,019	1,168,468	-	-	1,520,019	1,168,468	-23.1%
Instructional staff	2,378,248	2,170,610	-	-	2,378,248	2,170,610	-8.7%
District administration	259,611	293,130	-	-	259,611	293,130	12.9%
School administration	1,631,501	1,745,398	-	-	1,631,501	1,745,398	7.0%
Business	17,462	12,371	-	-	17,462	12,371	-29.2%
Operation and maintenance of facilities	4,008,468	4,006,143	-	-	4,008,468	4,006,143	-0.1%
Transportation	1,917,398	1,994,298	-	-	1,917,398	1,994,298	4.0%
Central	869,212	1,005,563	-	-	869,212	1,005,563	15.7%
School lunch services	1,284,489	1,258,760	-	-	1,284,489	1,258,760	-2.0%
Capital outlay	618,548	1,190,992	-	-	618,548	1,190,992	92.5%
Interest on L-T liabilities	227,038	206,049	-	-	227,038	206,049	-9.2%
Rental Units	-	-	\$ 233,227	\$ 276,103	233,227	276,103	18.4%
Media Center	-	-	261,150	166,952	261,150	166,952	-36.1%
Total Expenses	<u>\$ 33,065,819</u>	<u>\$ 33,917,088</u>	<u>\$ 494,377</u>	<u>\$ 443,055</u>	<u>\$ 33,560,196</u>	<u>\$ 34,360,143</u>	2.4%
Excess (deficiency) before special items and transfers	\$ 2,647,989	\$ 588,130	\$ (108,738)	\$ (118,304)	\$ 2,539,251	\$ 469,826	-81.5%
Loss on sale of assets	(44,641)	(72,696)	(9,820)	-	(54,461)	(72,696)	n/a
Transfers	(1,170,992)	(123,000)	1,170,992	123,000	-	-	
Increase (decrease) in net assets	\$ 1,432,356	\$ 392,434	\$ 1,052,434	\$ 4,696	\$ 2,484,790	\$ 397,130	-84.0%
Net assets - beginning	36,760,862	38,193,218	2,911,219	3,963,653	39,672,081	42,156,871	6.3%
Prior Period Adjustment	-	(181,293)	-	209,057	-	-	
Net assets - ending	<u>\$ 38,193,218</u>	<u>\$ 38,404,359</u>	<u>\$ 3,963,653</u>	<u>\$ 4,177,406</u>	<u>\$ 42,156,871</u>	<u>\$ 42,581,765</u>	1.0%

Governmental activities. Governmental activities increased the District's net assets by \$211,141 thereby accounting for 49 percent of the total growth in the net assets of the District. Key elements that contributed to this growth are as follows:

- Combined positive budget variances in the areas of instructional services, central support services, district administration and instructional support services.

Business-type activities. Business activities net assets increased by \$213,753 due largely to a transfer of \$123,000 from capital outlay funds. These funds are intended to offset the cost of depreciation of housing units and will be used to renovate existing units as the need arises.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,255,139, a decrease of \$478,201 in comparison with the prior year. Most of this total amount (\$19,483,354) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$771,785).

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$10,764,095. None of the general fund's fund balance was reserved. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36.5 percent of total general fund expenditures. Total fund balance also represents 36.5 percent of that same amount.

During the current fiscal year, the fund balance of the District's general fund decreased by \$761,792. Key factors in this decrease are as follows:

- Purchase of activity busses using accumulated funds and planned expenditures in various programs with carry-forward funding.

The capital projects fund has a total fund balance of \$5,542,642, all of which must be used for capital outlay expenditures. The net increase in fund balance during the current year in the capital projects fund was \$213,764.

The debt service fund has a total fund balance of \$771,785. All of the fund balance in the debt service fund is reserved to pay for general obligation debt. The amount reported as debt service fund total fund balance in this report is slightly more than one year's payment of principal and interest on the District's general obligation bonds.

The building reserve fund has a total fund balance of \$2,692,121. None of the fund balance in the building reserve fund has been treated as reserved or designated; however, building reserve fund resources may only be expended for capital outlay purposes related to the acquisition or construction of school facilities. Funds are being accumulated in the building reserve fund to deal with future construction and renovation needs in the District.

Proprietary funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the rental units at the end of the year amounted to \$440,682. The non-major business type funds (media center) did not have any unrestricted net assets at year's end. Rental unit unrestricted net assets increased by \$96,055 from the prior year while non-major business type funds restricted net assets increased by \$227,313 for the year.

General Fund Budgetary Highlights

The District is required by state statute to adopt a budget for its governmental funds prior to June 22 of each year. Because reliable information regarding state aid, federal aid, and property tax revenues is rarely available by the time the budget must be adopted, the budget is usually amended at least one time during the course of the fiscal year. In fiscal year 2006, the general fund budget was amended, to take into account changes in estimates for revenues and expenditures.

Capital Asset and Debt Administration

Capital assets: The District's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$27,802,257 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, and various types of machinery and equipment. The District's total investment in capital assets net of depreciation increased by 1 percent.

The District completed various maintenance projects in accordance with its 5-year maintenance plan such as re-roofing, concrete replacement, boiler replacement, carpet replacement, etc. The district also purchased significant technology equipment in accordance with its technology plan and replaced several school buses.

A summary of capital assets as of June 30, 2005 and 2006 is outlined below:

SAN JUAN SCHOOL DISTRICT'S Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land	\$ 282,505	\$ 282,505	\$ 78,390	\$ 78,390	\$ 360,895	\$ 360,895
Work in progress	93,664	220,870	-	-		220,870
Buildings	20,033,572	19,110,329	2,775,357	2,681,070	22,808,929	21,791,399
Improvements	1,212,554	1,866,820	467,873	455,158	1,680,427	2,321,978
Vehicles	1,238,316	1,668,636	-	-	1,238,316	1,668,636
Technology	158,068	101,499	-	-	158,068	101,499
Equipment	1,054,313	1,326,412	13,589	10,569	1,067,902	1,336,981
Total	\$ 24,072,992	\$ 24,577,071	\$ 3,335,209	\$ 3,225,187	\$ 27,314,537	\$ 27,802,258

Additional information on the District's capital assets can be found in note 4 on pages 34 through 37 of this report.

Long-term debt. At the end of the current fiscal year, the District had \$6,622,669 in general-obligation bonds and other long-term debt outstanding (a reduction of 2.4 percent from the previous year as summarized in the table below). Of the total amount of long-term debt, \$4,100,000 is backed by the full faith and credit of the district. More detailed information about the District's long-term liabilities is presented in note 6 on pages 38 and 39 of this report.

SAN JUAN SCHOOL DISTRICT'S Outstanding Debt

	Governmental Activities	
	2005	2006
General obligation bonds	\$ 4,460,000	\$ 4,100,000
Other long-term debt	2,325,334	2,522,669
Total long-term debt	\$ 6,785,334	\$ 6,622,669

Factors Bearing on the District's Future

- The District's tax base (assessed valuation) increased by \$11,696,184 or 2.7% from fiscal year 2005 to fiscal year 2006. Most of the increase in the district's tax base was in the area of locally assessed properties. The district's debt service and capital outlay activities are funded almost entirely from local property tax revenues generated by the District's tax base. As the District's tax base increases, more resources are available for debt service and capital outlay activities.
- The District's student population declined significantly from 2000 to 2003. In 2004, the District's student population remained stable for the first time in several years; however, the student population began declining again in 2005 and continued declining in fiscal years 2006 and 2007. Changes in student population are an important economic factor because the number of students enrolled in District schools or WPU's (weighted pupil units) is the single biggest factor in determining the amount of aid that the District receives from the state. If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local taxes do not provide funding equal to the guarantee (\$2,280 in fiscal year 2006) it will make up the difference with "state aid."

These factors were considered in preparing the District's budget for fiscal year 2007.

SAN JUAN SCHOOL DISTRICT'S Changing Enrollment

District Fiscal Year	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
October 1 Enrollment	3,146	3,038	2,978	2,979	2,950	2,912	2,871
Increase (decrease) from prior year	(162)	(108)	(60)	1	(29)	(38)	(41)
Percentage increase (decrease) from prior year	-4.9%	-3.4%	-2.0%	0.0%	-1.0%	-1.3%	-1.4%

Request for Information

This financial report is designed to provide a general overview of San Juan School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Business Administrator, San Juan School District, 200 North Main, Blanding, UT 84511.

**SAN JUAN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and investments	\$ 22,904,399	\$ 740,300	\$ 23,644,699
Receivables:			
Property taxes	3,745,552		3,745,552
Other governments	2,095,038	20,703	2,115,741
Inventories	264,093	209,057	473,150
Internal balances	(8,762)	8,762	
Capital assets:			
Land, construction in progress, and water stock	503,375	78,389	581,764
Other capital assets, net of depreciation	24,073,696	3,146,797	27,220,493
Total assets	<u>\$ 53,577,391</u>	<u>\$ 4,204,008</u>	<u>\$ 57,781,399</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 2,561,273	\$ 20,693	\$ 2,581,966
Accrued interest	104,018		104,018
Accrued salaries and liabilities	1,109,952	5,909	1,115,861
Deferred revenue:			
Property taxes	3,705,495		3,705,495
Other governments	1,069,625		1,069,625
Noncurrent liabilities:			
Due within one year	1,049,858		1,049,858
Due in more than one year	5,572,811		5,572,811
Total liabilities	<u>\$ 15,173,032</u>	<u>\$ 26,602</u>	<u>\$ 15,199,634</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 20,412,923	\$ 3,225,186	\$ 23,638,109
Restricted for:			
School lunch	355,082		355,082
Non K-12 programs	42,119		42,119
San Juan Foundation	87,292		87,292
Capital projects	2,692,121		2,692,121
Debt service	771,785		771,785
Other		511,358	511,358
Unrestricted	14,043,037	440,862	14,483,899
Total net assets	<u>\$ 38,404,359</u>	<u>\$ 4,177,406</u>	<u>\$ 42,581,765</u>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
Governmental activities:						
Instructional services:						
Supporting services:						
Students	\$ 18,865,306	\$ 17,513	\$ 6,198,915	\$ 153,715	\$ (12,495,163)	\$ (12,495,163)
Instructional staff	1,168,468		555,590		(612,878)	(612,878)
District administration	2,170,610		884,499		(1,286,111)	(1,286,111)
School administration	293,130	252,785			(40,345)	(40,345)
Business	1,745,398				(1,745,398)	(1,745,398)
Operation and maintenance of facilities	12,371				(12,371)	(12,371)
Transportation	4,006,143		655,244		(3,350,899)	(3,350,899)
Central	1,994,298		1,030,439		(963,859)	(963,859)
School lunch services	1,005,563		498		(1,005,065)	(1,005,065)
Capital outlay	1,258,760	225,904	1,047,174		14,318	14,318
Interest on long-term liabilities	1,190,992				(1,190,992)	(1,190,992)
	206,049				(206,049)	(206,049)
Total governmental activities	\$ 33,917,088	\$ 496,202	\$ 10,372,359	\$ 153,715	\$ (22,894,812)	\$ (22,894,812)
Business-type activities:						
Rental units	\$ 276,103	\$ 143,029			\$ (133,074)	\$ (133,074)
Media Center	166,952	158,648			(8,304)	(8,304)
Total business-type activities	\$ 443,055	\$ 301,677	\$	\$	\$ (141,378)	\$ (141,378)
Total governmental and business-type activities	\$ 34,360,143	\$ 797,879	\$ 10,372,359	\$ 153,715	\$ (22,894,812)	\$ (23,036,190)
General revenues:						
Property taxes levied for:						
General purposes					\$ 1,124,488	\$ 1,124,488
Transportation					151,520	151,520
Recreation					151,520	151,520
Debt service					582,768	582,768
Capital outlay					2,243,910	2,243,910
Federal and state aid not restricted to specific purposes					17,673,219	17,673,219
Earnings on investments					974,410	974,410
Loss on sale of capital assets					(72,696)	(72,696)
Miscellaneous					581,107	581,107
Transfers in (out)					(123,000)	123,000
Total general revenues and transfers					\$ 23,287,246	\$ 23,433,320
Change in net assets					\$ 392,434	\$ 4,696
Net assets - beginning					38,193,218	3,963,653
Prior period adjustment					(181,293)	209,057
Net assets - ending					\$ 38,404,359	\$ 4,177,406
					\$ 42,581,765	\$ 42,581,765

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	GENERAL FUND	CAPITAL PROJECTS FUND	BUILDING RESERVE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	\$ 12,793,127	\$ 5,992,406	\$ 2,873,415	\$ 1,187,249	\$ 22,846,197
Due from other governmental units	1,891,567	3,373		189,450	2,084,390
Inventory				25,311	25,311
Property taxes receivable	1,123,887	1,976,397		645,268	3,745,552
Total assets	<u>\$ 15,808,581</u>	<u>\$ 7,972,176</u>	<u>\$ 2,873,415</u>	<u>\$ 2,047,278</u>	<u>\$ 28,701,450</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,865,406	\$ 475,043	\$ 181,294	\$ 39,496	\$ 2,561,239
Accrued salaries and liabilities	1,053,871			56,081	1,109,952
Deferred revenue:					
Local sources	85,121			25,311	110,432
Property taxes	1,111,428	1,954,488		639,579	3,705,495
Other governments	928,660			30,533	959,193
Total liabilities	<u>\$ 5,044,486</u>	<u>\$ 2,429,531</u>	<u>\$ 181,294</u>	<u>\$ 791,000</u>	<u>\$ 8,446,311</u>
Fund balances:					
Reserved for:					
Debt service				\$ 771,785	\$ 771,785
Unreserved:					
Designated for:					
Undistributed reserve	\$ 1,500,000				1,500,000
Contingency	68,573				68,573
Technology	34,487				34,487
Schools	207,792				207,792
Purchase services	146,066				146,066
Legal fees	435,726				435,726
Retirement benefit and sick leave	4,789,523				4,789,523
Microwave system	108,189				108,189
Carryover	100,000				100,000
Improvements and equipment		\$ 1,192,058			1,192,058
Preschool				42,119	42,119
Undesignated, reported in:					
General fund	3,373,739				3,373,739
Capital projects fund		4,350,587	\$ 2,692,121		7,042,708
Special revenue fund				442,374	442,374
Total fund balances	<u>\$ 10,764,095</u>	<u>\$ 5,542,645</u>	<u>\$ 2,692,121</u>	<u>\$ 1,256,278</u>	<u>\$ 20,255,139</u>
Total liabilities and fund balances	<u>\$ 15,808,581</u>	<u>\$ 7,972,176</u>	<u>\$ 2,873,415</u>	<u>\$ 2,047,278</u>	<u>\$ 28,701,450</u>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds:	\$ 20,255,139
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$58,041,571 and the accumulated depreciation is \$33,464,500.	24,577,071
To recognize interest accrual to year end. Accrued interest for general obligation bonds is \$100,804 and accrued interest for obligations under capital leases is \$3,214.	(104,018)
Accumulated effect of crossover amounts charged to business type activities from Internal Service Fund activity.	(8,762)
Internal service funds are used by management to charge the costs of warehouse services to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	307,597
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(6,622,668)</u>
Net assets of governmental activities	<u>\$ 38,404,359</u>

"The notes to the financial statements are an integral part of this statement."

SAN JUAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND	CAPITAL PROJECTS FUND	BUILDING RESERVE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Property taxes	\$ 1,276,008	\$ 2,243,910		\$ 734,288	\$ 4,254,206
Earnings on investments	851,401		\$ 119,279	3,729	974,409
School lunch sales				225,904	225,904
Other local sources	620,057	309,743		46,494	976,294
State aid	15,698,456	439,648		487,669	16,625,773
Federal aid	10,297,022			1,223,163	11,520,185
Total revenues	\$ 28,742,944	\$ 2,993,301	\$ 119,279	\$ 2,721,247	\$ 34,576,771
EXPENDITURES:					
Current:					
Instructional services	\$ 16,942,527			\$ 705,929	\$ 17,648,456
Supporting services:					
Students	1,144,054				1,144,054
Instructional staff	2,098,403				2,098,403
District administration	285,694				285,694
School administration	1,631,855				1,631,855
Operation and maintenance of facilities	3,987,029				3,987,029
Transportation	2,379,036				2,379,036
Central	1,000,036				1,000,036
Other	1,102				1,102
School lunch services				1,196,758	1,196,758
Capital outlay		\$ 2,808,046			2,808,046
Debt service:					
Principal retirement				360,000	360,000
Interest and fiscal charges				210,209	210,209
Total expenditures	\$ 29,469,736	\$ 2,808,046	\$...	\$ 2,472,896	\$ 34,750,678
Excess revenues over (under) expenditures	\$ (726,792)	\$ 185,255	\$ 119,279	\$ 248,351	\$ (173,907)
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	\$ (35,000)	\$ 28,509		\$ (116,509)	\$ (123,000)
Total other financing sources (uses)	\$ (35,000)	\$ 28,509	\$...	\$ (116,509)	\$ (123,000)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (761,792)	\$ 213,764	\$ 119,279	\$ 131,842	\$ (296,907)
FUND BALANCES - beginning of year	11,525,887	5,328,881	2,754,136	1,124,436	20,733,340
Prior period adjustment			(181,294)		(181,294)
FUND BALANCES - end of year	\$ 10,764,095	\$ 5,542,645	\$ 2,692,121	\$ 1,256,278	\$ 20,255,139

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds \$ (296,907)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 2,441,835	
Loss on disposal of capital assets	(72,696)	
Contributions of capital assets	18,691	
Depreciation expense	<u>(1,883,255)</u>	504,575

Fixed assets acquired by capital leases are shown as an expenditure and other financing source in the governmental funds. Equipment financed by the lease is less than the District's capitalization threshold; the District has elected to expense the equipment. The other financing source must be removed from the statement of activities; principal payments are applied to the lease liability; interest expense is recognized as it accrues.

Change in accrued interest - capital leases	\$ 8,726	
Principal payments of capital leases	<u>286,202</u>	294,928

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Change in accrued interest - bonds	\$ 8,100	
Repayment of bond principal	<u>360,000</u>	368,100

In the statement of activities, certain operating expenses--compensated absences (vacations), special termination benefits (early retirement), and claims (arbitrage rebates) -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable increased by \$38,546, and early retirement payable increased by \$444,991.

(483,537)

Internal service funds are used by the District to charge the costs of warehouse services to individual funds. The net revenue of the internal service funds is reported with governmental activities.

5,275

Change in net assets of governmental activities

\$ 392,434

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	RENTAL UNITS	NONMAJOR BUSINESS-TYPE FUNDS	TOTAL	
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 421,139	\$ 319,161	\$ 740,300	\$ 58,202
Receivables (net):				
Other governments	20,703		20,703	10,648
Inventory		209,057	209,057	238,782
Total current assets	\$ 441,842	\$ 528,218	\$ 970,060	\$ 307,632
Noncurrent assets:				
Land	\$ 78,388	\$ 1	\$ 78,389	
Building	4,140,276	35,000	4,175,276	\$ 20,000
Improvements	508,611		508,611	
Equipment		44,923	44,923	52,709
Less: Accumulated depreciation	(1,522,337)	(59,676)	(1,582,013)	(65,730)
Total noncurrent assets	\$ 3,204,938	\$ 20,248	\$ 3,225,186	\$ 6,979
Total assets	\$ 3,646,780	\$ 548,466	\$ 4,195,246	\$ 314,611
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 980	\$ 19,713	\$ 20,693	\$ 34
Accrued salaries and liabilities		5,909	5,909	
Total current liabilities	\$ 980	\$ 25,622	\$ 26,602	\$ 34
Net Assets:				
Investment in capital assets, net of related debt	\$ 3,204,938	\$ 20,248	\$ 3,225,186	\$ 6,979
Restricted		502,596	502,596	307,598
Unrestricted	440,862		440,862	
Total net assets	\$ 3,645,800	\$ 522,844	\$ 4,168,644	\$ 314,577
Total liabilities and net assets	\$ 3,646,780	\$ 548,466	\$ 4,195,246	\$ 314,611
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			\$ 8,762	
Net assets of business-type activities			\$ 4,177,406	

"The notes to the financial statements are an integral part of this statement."

SAN JUAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS			
	RENTAL UNITS	NONMAJOR BUSINESS-TYPE FUNDS	TOTAL	INTERNAL SERVICE FUND
OPERATING REVENUES:				
Charges for services	\$ 143,029	\$ 158,648	\$ 301,677	\$ 284,741
Total operating revenues	\$ 143,029	\$ 158,648	\$ 301,677	\$ 284,741
OPERATING EXPENSES:				
Employee salaries and benefits	\$ 78,364	\$ 78,112	\$ 156,476	
Travel and per diem		439	439	
Housing committee	5,890		5,890	
Contractual services	6,460	9,595	16,055	
Supplies	7,543	1,692	9,235	\$ 270,095
Resale goods at cost		70,892	70,892	
Fuel and oil	3,495		3,495	
Repairs and maintenance	6,716		6,716	
Depreciation	155,180	3,895	159,075	500
Insurance	10,341		10,341	8,315
Telephone		2,735	2,735	148
Utilities	2,114		2,114	
Total expenditures	\$ 276,103	\$ 167,360	\$ 443,463	\$ 279,058
Operating income/(loss)	\$ (133,074)	\$ (8,712)	\$ (141,786)	\$ 5,683
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue		\$ 23,074	\$ 23,074	
Total non-operating revenues (expenses)	\$...	\$ 23,074	\$ 23,074	\$...

"The notes to the financial statements are an integral part of this statement."

SAN JUAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS</u>			<u>INTERNAL SERVICE FUND</u>
	<u>RENTAL UNITS</u>	<u>NONMAJOR BUSINESS-TYPE FUNDS</u>	<u>TOTAL</u>	
Income/(loss) before operating transfers	\$ (133,074)	\$ 14,362	\$ (118,712)	\$ 5,683
OPERATING TRANSFERS IN (OUT):				
Transfers in	123,000		123,000	
Net income/(loss)	\$ (10,074)	\$ 14,362	\$ 4,288	\$ 5,683
RETAINED EARNINGS/ FUND BALANCES, July 1,	3,655,874	299,425		308,894
Prior period adjustment		209,057		
RETAINED EARNINGS/ FUND BALANCES, June 30,	<u>\$ 3,645,800</u>	<u>\$ 522,844</u>		<u>\$ 314,577</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			408	
Change in net assets of business-type activities			<u>\$ 4,696</u>	

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPERETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	RENTAL UNITS	NONMAJOR BUSINESS-TYPE FUNDS	TOTAL	INTERNAL SERVICE FUND
Cash Flows From Operating Activities:				
Receipts from customers	\$ 150,731	\$ 188,582	\$ 339,313	\$ 293,573
Payments to suppliers	(41,579)	(65,724)	(107,303)	(287,310)
Payments to employees	(78,364)	(72,561)	(150,925)	
Net cash provided (used) by operating activities	\$ 30,788	\$ 50,297	\$ 81,085	\$ 6,263
Cash Flows From Noncapital Financing Activities:				
Transfers in	\$ 123,000		\$ 123,000	
Net cash provided (used) by noncapital financing activities	\$ 123,000	\$...	\$ 123,000	\$...
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	\$ (49,051)		\$ (49,051)	
Net cash provided (used) by capital and related financing activities	\$ (49,051)	\$...	\$ (49,051)	\$...
Cash Flows From Investing Activities:				
Interest received		\$ 23,073	\$ 23,073	
Net cash provided (used) by investing activities	\$...	\$ 23,073	\$ 23,073	\$...
Net increase (decrease) in cash and cash equivalents	\$ 104,737	\$ 73,370	\$ 178,107	\$ 6,263
Cash and cash equivalents, July 1	316,402	245,791	562,193	51,939
Cash and cash equivalents, June 30	\$ 421,139	\$ 319,161	\$ 740,300	\$ 58,202

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPERETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	RENTAL UNITS	NONMAJOR BUSINESS-TYPE FUNDS	TOTAL	INTERNAL SERVICE FUND
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (133,074)	\$ (8,712)	\$ (141,786)	\$ 5,683
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	\$ 155,180	\$ 3,895	\$ 159,075	\$ 500
(Increase) Decrease in accounts receivable	7,702	29,934	37,636	8,832
Increase in inventory				(8,676)
Increase in accounts payable	980	19,629	20,609	34
Increase (Decrease) in sales tax payable		5,551	5,551	(110)
Total adjustments	\$ 163,862	\$ 59,009	\$ 222,871	\$ 580
Net cash provided (used) by operating activities	\$ 30,788	\$ 50,297	\$ 81,085	\$ 6,263

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	<u>COUNTY RECREATION</u>	<u>STUDENT ACTIVITY AGENCY FUND</u>
<u>ASSETS</u>		
Cash and investments	<u>\$ 1,326,075</u>	<u>\$ 346,676</u>
Total assets	<u>\$ 1,326,075</u>	<u>\$ 346,676</u>
<u>LIABILITIES</u>		
Due school activities	<u> </u>	<u>\$ 346,676</u>
Total liabilities	<u>\$...</u>	<u>\$ 346,676</u>
<u>NET ASSETS</u>		
Held in trust	<u><u>\$ 1,326,075</u></u>	<u><u>\$...</u></u>

"The notes to the financial statements are an integral part of this statement."

SAN JUAN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>COUNTY RECREATION</u>
ADDITIONS:	
Contributions:	
Plan members/contribution	\$ 193,666
Investment earnings:	
Interest	<u>53,758</u>
Total additions	<u>\$ 247,424</u>
DEDUCTIONS:	
Professional services	<u>\$ 90,000</u>
Total deductions	<u>\$ 90,000</u>
Change in net assets	\$ 157,424
Net assets - beginning of the year	<u>1,168,651</u>
Net assets - end of the year	<u><u>\$ 1,326,075</u></u>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements of San Juan School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. Reporting Entity

The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and its component unit, San Juan Education Foundation, for which the District is considered to be financially accountable. The District is not a component unit of any other primary government. A blended component unit, although a legally separate entity, is, in substance part of the District's operations.

Blended component unit. The San Juan Education Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation's board is approved by the Board of Education. The foundation exclusively services the District. The Foundation is presented as a special revenue fund of the District.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.
- The Capital Projects Fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.
- The Building Reserve Fund is used to accumulate resources for the construction of new buildings for District.

The government reports the following major proprietary fund:

- The Rental Unit Fund accounts for the operation of and maintenance of the housing facilities located at several of the outlying school locations.

Additionally, the government reports the following fund types:

- Internal Service Fund (proprietary fund) accounts for warehouse services provided to other funds of the District on a cost reimbursement basis.
- The student activities agency fund (a fiduciary fund) accounts for assets held on behalf of student groups.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Rental Unit Fund and Internal Service Fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include wages and benefits, operating maintenance cost, depreciation and other general and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to first use restricted resources and then unrestricted resources, as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

D. Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. Budgets are not adopted for the trust or agency funds. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- 1) During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- 2) Copies of the proposed budget are made available for public inspection and by review of the patrons of the District.
- 3) If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- 4) Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
- 5) Minor interim adjustments in estimated revenue and appropriations during the year ended June 30, 2006, have been included in the final budget approved by the Board, as presented in the financial statements.
- 6) Expenditures may not legally exceed budgeted appropriations at the fund level.

E. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

G. Inventories

The District maintains material inventory balances in its internal service and Media Center funds. Inventory is valued at the lower of cost or market value and the District uses the first-in, first-out (FIFO) flow assumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Federal food commodities inventory is disclosed separately with an offset to deferred revenue. Federal food commodities inventory is valued according to published price lists provided by the U.S. Department of Agriculture.

H. Capital Assets

Capital assets, which include land, buildings, improvements, vehicles, technology and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines Capital Assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, vehicles, technology and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Improvements	20
Vehicles	5-8
Technology	5
Equipment	5-20

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

I. **Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits. Employees may accumulate up to 120 days and will be paid for a portion of these days based on the number of year of service in the District. For employees with 10 or more years of service, the district will pay employees 10% of the number of days of accumulated sick leave. For employees with 20 or more years of service, the District will pay employees 20% of the number of days of vested sick leave. The rate per day will be determined from the employee's current salary or wage rate. The District will also pay up to one year's equivalent of earned vacation leave based on the prior years wage schedule.

J. **Early Retirement**

The District has adopted a policy to permit eligible employees to take an early retirement. The District will pay, up to five years, annual pension benefits equal to thirty percent of the employees highest contract salary for the previous five years. During the early retirement period, the District continues to provide life insurance for the employee and dependants. Employees may also purchase, at their own expense, health and accident insurance as part of the District's insurance plan at the rate charged for retirees. The total accumulated early retirement liability is reported in the government-wide financial statements.

K. **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

L. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. **DEPOSITS AND INVESTMENTS**

Deposits and investments for the District and its blended component unit are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

2. DEPOSITS AND INVESTMENTS (Continued)

Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2006, the District's bank balance of cash on deposit was \$434,446 of this amount all of the \$434,446 was insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

2. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
<u>Debt Securities</u>					
U.S. Treasury Securities	\$ 475,804	\$ 475,804			
Repurchase Agreements	244,193	244,193			
<u>Other Investments</u>					
Utah Public Treas. Invest. Fund	24,173,485	24,173,485			
Total Investments	\$24,893,482	\$24,893,482	\$...	\$...	\$...

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
U.S. Treasury Securities	\$ 475,804				\$ 475,804
Repurchase Agreements	244,193				244,193
Ut. Public Treas. Invest. Fund	24,173,485				24,173,485
Total	<u>\$ 24,893,482</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 24,893,482</u>

2. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of June 30, 2006, the District had \$24,173,485 invested in the Public Treasurer's Investment Fund and was held by them.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the San Juan County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2006, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2005 and earlier and 2) taxes assessed as of January 1, 2006, but are not due and payable until November 30, 2006. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

3. **PROPERTY TAXES (Continued)**

Beginning January 1, 1992, there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes age-based fee as revenue when the County collects it.

4. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 282,505			\$ 282,505
Work in progress	93,664	\$ 220,870	\$ (93,664)	220,870
 Total capital assets not being depreciated	 \$ 376,169	 \$ 220,870	 \$ (93,664)	 \$ 503,375
 Capital assets being depreciated:				
Buildings	\$ 44,504,474	\$ 85,968	\$ (60,000)	\$ 44,530,442
Improvements	3,613,770	774,340		4,388,110
Vehicles	4,099,481	929,021	(801,800)	4,226,702
Technology	1,599,759			1,599,759
Equipment	2,278,638	543,995	(29,450)	2,793,183
 Total capital assets being depreciated:	 \$ 56,096,122	 \$ 2,333,324	 \$ (891,250)	 \$ 57,538,196

4. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Accumulated depreciation for:				
Buildings	\$ 24,470,903	\$ 989,853	\$ (40,643)	\$ 25,420,113
Improvements	2,401,217	120,073		2,521,290
Vehicles	2,861,165	445,363	(748,462)	2,558,066
Technology	1,441,691	56,569		1,498,260
Equipment	1,224,324	271,897	(29,450)	1,466,771
 Total accumulated depr.	<u>\$ 32,399,300</u>	<u>\$ 1,883,755</u>	<u>\$ (818,555)</u>	<u>\$ 33,464,500</u>
 Total capital assets, being depreciated, net	<u>\$ 23,696,822</u>	<u>\$ 449,569</u>	<u>\$ (72,695)</u>	<u>\$ 24,073,696</u>
 Governmental activities capital assets, net	<u>\$ 24,072,991</u>	<u>\$ 670,439</u>	<u>\$ (166,359)</u>	<u>\$ 24,577,071</u>
 Business-type activities:				
Capital assets not being depreciated:				
Land	<u>\$ 78,389</u>			<u>\$ 78,389</u>
 Total capital assets not being depreciated	<u>\$ 78,389</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 78,389</u>
 Capital assets being depreciated:				
Buildings	\$ 4,126,226	\$ 49,050		\$ 4,175,276
Improvements	508,611			508,611
Equipment	50,950		\$ (6,028)	44,922
 Total capital assets being depreciated	<u>\$ 4,685,787</u>	<u>\$ 49,050</u>	<u>\$ (6,028)</u>	<u>\$ 4,728,809</u>

4. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Accumulated depreciation for:				
Buildings	\$ 1,350,867	\$ 143,339		\$ 1,494,206
Improvements	40,738	12,715		53,453
Equipment	37,360	3,021	\$ (6,028)	34,353
	<u>37,360</u>	<u>3,021</u>	<u>\$ (6,028)</u>	<u>34,353</u>
Total accumulated depr.	<u>\$ 1,428,965</u>	<u>\$ 159,075</u>	<u>\$ (6,028)</u>	<u>\$ 1,582,012</u>
Total capital assets, being depreciated, net	<u>\$ 3,256,822</u>	<u>\$ (110,025)</u>	<u>\$...</u>	<u>\$ 3,146,797</u>
Business-type activities capital assets, net	<u>\$ 3,335,211</u>	<u>\$ (110,025)</u>	<u>\$...</u>	<u>\$ 3,225,186</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instructional services	\$ 1,074,751
Supporting services	
Students	23,656
Staff	38,685
District administration	6,853
School administration	47,712
Business services	11,388
Operational and maintenance services	335,346
Transportation services	284,253
Central services	4,425
School lunch services	56,186
Capital assets held by the District's internal service fund are charged to the various functions based on their usage of the assets	<u>500</u>
Total depreciation expense - governmental activities	<u>\$ 1,883,755</u>

4. **CAPITAL ASSETS (Continued)**

Business-type Activities:

Rental units	\$ 155,180
Media center	<u>3,895</u>

Total depreciation expense - Business-type activities	<u>\$ 159,075</u>
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Total depreciation expense	<u><u>\$ 2,042,830</u></u>
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5. **PENSION PLANS**

At June 30, 2006, San Juan School District was participating in the following retirement plan:

Utah State Retirement Systems

As of June 30, 2006, San Juan School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer, defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System, and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (part may be paid by the employer for the employee) and San Juan School District is required to contribute 8.89% of their annual covered salary. In the State and School Noncontributory Retirement System, San Juan School District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

5. **PENSION PLANS (Continued)**

The San Juan School District contributions to the State and School Contributory Retirement System for the years ending June 30, 2006, 2005 and 2004 were \$45,026, \$54,623 and \$48,153 respectively and for the State and School Noncontributory Retirement System the contributions for June 30, 2006, 2005 and 2004 were \$1,912,575, \$1,909,507 and \$1,638,581 respectively. The contributions were equal to the required contributions for each year.

401(k) Defined Contribution Plan – The employees of San Juan School District also participated in a 401(k) deferred compensation plan to supplement retirement benefits accrued by participate in the Systems. Employees covered by the State and School Noncontributory Retirement Systems have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2006, 2005, and 2004 are \$233,140, \$232,043 and \$221,184, respectively; employee contributions for the years ending June 30, 2006, 2005 and 2004 are \$282,714, \$285,731 and \$308,330, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

6. **LONG-TERM DEBT**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 375,000	\$ 192,984	\$ 567,984
2008	395,000	175,224	570,224
2009	410,000	156,353	566,353
2010	430,000	136,295	566,295
2011	450,000	114,725	564,725
2012-2015	2,040,000	214,763	2,254,763
	<u>\$ 4,100,000</u>	<u>\$ 990,344</u>	<u>\$ 5,090,344</u>

6. **LONG-TERM DEBT (Continued)**

General Obligation Bonds – General obligation bonds payable at June 30, 2006, with their outstanding balances are comprised of the following individual issues:

Governmental Activity:

A \$6,540,000 G.O. Refunding Bonds Series 1997, due in annual installments from \$265,000 to \$550,000, beginning July 1, 1998, through July 1, 2014, interest of 4.375% through 5.150% per annum.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
G.O. Bonds CIB	\$4,460,000		\$ (360,000)	\$ 4,100,000	\$ 375,000
Other long-term liabilities:					
Capital Leases	350,350		(286,202)	64,148	64,148
Sick leave	483,094	\$ 38,546		521,640	
Early retirement	1,491,890	914,779	(469,788)	1,936,881	610,710
Governmental activity long-term liabilities	\$6,785,334	\$ 953,325	\$ (1,115,990)	\$ 6,622,669	\$1,049,858

7. **CAPITAL LEASES**

San Juan School District has entered into lease agreements as lessee for financing the acquisition of school buses and other vehicles to be used by the District. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Automobiles and buses	<u>\$ 280,783</u>
Total assets	\$ 280,783
Less: Accumulated Depreciation	<u>(156,742)</u>
Net assets	<u>\$ 124,041</u>

7. **CAPITAL LEASES (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Governmental</u> <u>Activities</u>
2007	\$ 67,362
Total minimum lease payments	\$ 67,362
Less: amount representing interest	(3,214)
Present value of minimum lease payment	\$ 64,148

8. **CONTINGENT LIABILITIES**

San Juan School District has no pending or threatening litigation.

9. **SEGMENT INFORMATION**

The District operates two enterprise funds, the Rental Unit Fund and the Media Center Fund. The Rental Unit Fund records the transactions associated with the operation and maintenance of housing provided to teachers who live and teach in schools, which are in remote locations. The Media Center Fund consists of a commercial operation to provide media supplies and services to the District and others within the surrounding communities. Segment information is reported for these two funds because of material operating transfers into the funds or because of material enterprise fund operating income or loss.

9. **SEGMENT INFORMATION (Continued)**

A summary of the financial statements for these enterprise funds is presented below:

CONDENSED STATEMENT OF NET ASSETS

	<u>Rental Units</u>	<u>Media Center</u>
Assets:		
Current assets	\$ 441,842	\$ 528,218
Capital assets	<u>3,204,938</u>	<u>20,248</u>
Total assets	<u>\$ 3,646,780</u>	<u>\$ 548,466</u>
Liabilities:		
Current liabilities	<u>\$ 980</u>	<u>\$ 25,622</u>
Total liabilities	<u>\$ 980</u>	<u>\$ 25,622</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 3,204,938	\$ 20,248
Restricted		502,596
Unrestricted	<u>440,862</u>	
Total net assets	<u>\$ 3,645,800</u>	<u>\$ 522,844</u>
Capital Assets:		
Additions	\$ 49,050	
Retirements		\$ 6,028
Net working capital	440,862	502,596

9. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

	<u>Rental Units</u>	<u>Media Center</u>
Operating revenues	\$ 143,029	\$ 158,648
Depreciation expense	(155,180)	(3,895)
Other operating expenses	<u>(120,923)</u>	<u>(163,465)</u>
Operating income (loss)	<u>\$ (133,074)</u>	<u>\$ (8,712)</u>
Nonoperating revenue (expenses):		
Investment earnings	<u> </u>	<u>\$ 23,074</u>
Total nonoperating revenue (expenses)	<u>\$...</u>	<u>\$ 23,074</u>
Transfers:		
Transfer in	<u>\$ 123,000</u>	<u> </u>
Total transfers	<u>\$ 123,000</u>	<u>\$...</u>
Change in net assets	\$ (10,074)	\$ 14,362
Beginning net assets	3,655,874	299,425
Prior period adjustment	<u> </u>	<u>209,057</u>
Ending net assets	<u><u>\$ 3,645,800</u></u>	<u><u>\$ 522,844</u></u>

9. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Rental Units</u>	<u>Media Center</u>
Operating revenues		
Charges for services	\$ 143,029	\$ 158,648
Depreciation expense	155,180	3,895
Operating income (loss)	(133,074)	(8,712)
Operating transfers in	123,000	
Net income (loss)	(10,074)	14,362
Property, plant and equipment:		
Additions	49,050	
Retirements		(6,028)
Net working capital	440,862	502,596
Total assets	3,646,780	548,466
Total equity	3,645,800	522,844

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:		
Operating activities	\$ 30,788	\$ 50,297
Noncapital financing activities	123,000	
Capital and related financing activities	(49,051)	
Investing activities		23,073
Net increase (decrease)	\$ 104,737	\$ 73,370
Beginning cash and cash equivalents	316,402	245,791
Ending cash and cash equivalents	<u>\$ 421,139</u>	<u>\$ 319,161</u>

10. RISK MANAGEMENT

The District also maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. The Utah State Risk Management Fund (USRMF) is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The District pays annual premiums to USRMF; USRMF obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the district pays experienced rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year.

11. DESIGNATED FOR UNDISTRIBUTED RESERVE

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the following fiscal year's total general fund budgeted revenues. The expenditure of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

12. RECEIVABLES

Receivables as of year-end for the government's individual major funds and nonmajor and internal service funds in the aggregate including the applicable allowances for uncollectible accounts are as follows:

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>RENTAL UNITS</u>	<u>NONMAJOR AND OTHER FUNDS</u>	<u>TOTALS</u>
Due from other Governments					
Local	\$ 24,332	\$ 3,373	\$ 20,704	\$ 67,753	\$ 116,162
State	20,579			71,063	91,642
Federal	1,846,656			61,281	1,907,937
Total	<u>\$ 1,891,567</u>	<u>\$ 3,373</u>	<u>\$ 20,704</u>	<u>\$ 200,097</u>	<u>\$ 2,115,741</u>
Property taxes	<u>\$ 1,123,887</u>	<u>\$ 1,976,397</u>	<u>\$...</u>	<u>\$ 645,268</u>	<u>\$ 3,745,552</u>

13. **INTERNAL BALANCES AND TRANSFERS**

Internal Balances – Included in internal balances on the financial statements are individual fund receivable and payable balances at June 30, 2006 as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Internal balance - Governmental Activities		\$ 8,762
Internal balance - Business Type Activities	<u>\$ 8,762</u>	<u></u>
Total internal balances	<u>\$ 8,762</u>	<u>\$ 8,762</u>

Transfers – The following table provides a reconciliation of all interfund transfers:

	<u>TRANSFERS OUT</u>			
	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS</u>	<u>NON K-12</u>	<u>TOTAL</u>
<u>TRANSFER IN:</u>				
School Lunch	\$ 35,000			\$ 35,000
Capital Projects			\$ 151,509	151,509
Rental Units		<u>\$ 123,000</u>		<u>123,000</u>
Totals	<u>\$ 35,000</u>	<u>\$ 123,000</u>	<u>\$ 151,509</u>	<u>\$ 309,509</u>

14. OTHER RETIREMENT BENEFITS

During the year ended June 30, 2002, the District changed its post retirement benefit plan, which supersedes any and all prior early retirement policies, incentive, or offers. A summary of the newly adopted plan is listed below. For further details on the plan, refer to District policy 4150.16. Former employees who have retired previously retain the benefits of the policy, which was in effect at the time of their retirement.

The District provides post retirement benefits to certain full time employees, licensed, administrative, or classified, who work six or more hours per day for 180 days or more per year. Retiring employees must also meet the following eligibility requirements:

1. Be a full-time employee as defined by the District policy 4150.16;
2. Have completed a minimum of twenty years of qualifying District employment service credit under the licensed, administrative, or classified salary schedule with five years immediately preceding the date of application for retirement;

Be eligible for and meet all requirements for retirement under the provisions of the Utah Retirement System.

When employees have met eligibility requirements and followed the required retirement application procedures they may begin to receive post retirement benefits. These benefits are available for a maximum of five years. They consist of eligible employees receiving an annual benefit equal to thirty percent of their highest contract salary for the past five years. These employees may also purchase, at their own expense, health and accident insurance as part of the District's insurance plan at the rate charged for retirees. In addition, the District will continue to provide life insurance coverage for the retiree and dependents for the period the retiree receives the District Retirement Benefit.

The District Retirement Benefit will terminate at the earliest of the following. (1) The end of the five-year period. (2) The time when the Social Security benefit is equal to or greater than the amount for which the employee is eligible. (3) The death of the retiree.

On May 31, 2006, after some deliberation, the San Juan Education Association's President, the Superintendent of Schools and the President of the San Juan School District's Board of Education signed a Licensed Negotiation Offer 2006-2007, which will have the effect of terminating the current District Retirement Benefit (policy 4150.18) on June 30, 2007. All employees who have elected to retire under the existing benefit plan on or before June 30, 2007 will continue to be paid according to the terms of the existing benefit program as noted above. On July 1, 2007, the District's Retirement Benefit (policy 4150.18) will change to a compensation plan through 401(k) contributions by the District to employees who have been employed with the District between 21 and 30 years. For fiscal year 2008 (beginning July 1, 2007) and each year thereafter, the District will contribute an additional 10% of base salary to each qualifying employee's 401(k) on a monthly basis for year 21 through 30 of service in San Juan School District. Years of service will be counted in the same manner as the Utah Retirement System for purposes of this benefit program.

14. **OTHER RETIREMENT BENEFITS (Continued)**

To transition active employees to the new benefit program, who already have qualifying years of service between 21 and 30 years, the District will also contribute on July 1, 2007 to each qualifying employee's 401(k), 13% of each qualifying employee's base salary for qualifying years of service prior to July 1, 2007. Qualifying years of service will be determined upon Utah Retirement System years of service. If the payment to be made on July 1, 2007 exceeds any employee's 401(k) capacity for contributions for that 401(k) plan year, an additional payment will be made on January 1, 2008 to the extent necessary for the employee to be paid in full for the transition. The District anticipates that the funding requirements necessary for the change in retirement policy will be approximately \$2,000,000. To plan for this change the District has designated that portion of their fund balance equal to the required funding payments for transitioning employees on July 1, 2007.

The San Juan School District funds the cost of post retirement benefits on a pay-as-you-go basis except for those employees with between 21 and 30 years of service which will be transitioned over to the new benefit program and paid for those years of service on July 1, 2007. For the year ended June 30, 2006, the District paid \$489,339 in other post retirement benefits including salary continuation, health insurance and sick leave. The District currently has 31 employees that are eligible for other post retirement benefits.

15. **PRIOR PERIOD ADJUSTMENTS**

There has been two prior period adjustments made to the San Juan School District's financial statements for the year ended June 30, 2006. These prior period adjustments have been made in the Building Reserve Fund and the Media Center Fund. The purpose for these prior period adjustments are been listed below:

Building Reserve Fund – A prior period adjustment in the amount of \$181,294 was made to the fund balance in the building reserve fund to record the obligation to return excess money received from impact aid funds. These funds had been received in prior years but were identified as needing to be returned during the current fiscal year.

Media Center Fund – In prior years the Media Center has paid a publisher to print and bind into books certain specialized teaching material with respect to the Navajo language. These books were being stored off sight at the publishers warehouse. After examining the books and determining their value, it was necessary to make a prior period adjustment in the amount of \$209,057 to record the inventory on the Media Centers financial statements and adjust the fund balance to reflect this change.

16. **RESTRICTED NETS ASSETS AND RESERVED FUND BALANCES**

Restricted Net Assets – Restrictions have been made on the follow net assets in the Statement of Net Assets for Government-wide Financial Statements.

School Lunch – Federal and state governments have restricted the use of these funds for the purpose of providing school lunch to students.

16. **RESTRICTED NETS ASSETS AND RESERVED FUND BALANCES (Continued)**

Non K-12 programs – Federal and state governments have restricted the use of these funds for the purpose of providing educational training to those beyond the age of high school students and for pre-school children.

San Juan Education Foundation – The Foundation is a nonprofit organization and funds of the Foundation are controlled by its board and restricted to those uses indicated by them.

Capital Projects – The District has created a Building Reserve Fund for the purpose of accumulating funds to construct or purchase capital assets. The District's board has restricted these funds through internal legislation.

Debt Service – Certain funds of the District have been restricted for the retirement of long-term obligations of the District.

Other – Net assets of the Media Center have been restricted for the purpose of creating teaching materials for the District. These funds have largely been restricted to creating Navajo language teaching material. Currently, a substantial amount of net assets are in the form of inventory.

Reserved Fund Balances – Reservations have been made for the following fund balances reported in governmental funds.

Debt Service Fund – Certain funds have been reserved for the purpose of retiring long-term obligations of the District.

**SAN JUAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Property taxes	\$ 1,111,956	\$ 1,262,579	\$ 1,276,008	\$ 13,429
Earnings on investments	561,913	784,289	851,401	67,112
Other local sources	1,594,665	1,145,139	620,057	(525,082)
State aid	16,734,858	16,582,279	15,698,456	(883,823)
Federal aid	10,042,745	11,164,981	10,297,022	(867,959)
Total revenues	\$ 30,046,137	\$ 30,939,267	\$ 28,742,944	\$ (2,196,323)
EXPENDITURES:				
Current:				
Instructional services	\$ 17,540,696	\$ 18,182,164	\$ 16,942,527	\$ 1,239,637
Supporting services:				
Students	1,446,719	1,342,532	1,144,054	198,478
Instructional staff	2,226,805	2,329,082	2,098,403	230,679
District administration	307,027	307,317	285,694	21,623
School administration	1,702,401	1,726,315	1,631,855	94,460
Operation and maintenance of facilities	4,001,007	4,088,301	3,987,029	101,272
Transportation	2,213,426	2,314,093	2,379,036	(64,943)
Central	1,357,415	1,406,525	1,000,036	406,489
Other support	7,775	7,775	1,102	6,673
Total expenditures	\$ 30,803,271	\$ 31,704,104	\$ 29,469,736	\$ 2,234,368
Excess of revenue over (under) expenditures	\$ (757,134)	\$ (764,837)	\$ (726,792)	\$ 38,045
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	\$ (35,000)	\$ (35,000)	\$ (35,000)	
Total other financing sources (uses)	\$ (35,000)	\$ (35,000)	\$ (35,000)	\$...
Net change in fund balances	\$ (792,134)	\$ (799,837)	\$ (761,792)	\$ 38,045
Fund balances - beginning of year	11,525,887	11,525,887	11,525,887	
Fund balances - end of year	\$ 10,733,753	\$ 10,726,050	\$ 10,764,095	\$ 38,045

**SAN JUAN SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>SPECIAL REVENUE</u>				<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>SCHOOL LUNCH</u>	<u>NON K-12 PROGRAMS</u>	<u>SAN JUAN EDUCATION FOUNDATION</u>	<u>DEBT SERVICE</u>	
<u>ASSETS</u>					
Cash and investments	\$ 322,349	\$ 11,512	\$ 87,292	\$ 766,096	\$ 1,187,249
Inventory	25,311				25,311
Due from other governments	63,652	125,798			189,450
Property taxes receivable		131,977		513,291	645,268
Total assets	\$ 411,312	\$ 269,287	\$ 87,292	\$ 1,279,387	\$ 2,047,278
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 29,287	\$ 10,209			\$ 39,496
Accrued salaries and liabilities	1,632	54,449			56,081
Deferred revenue:					
Local sources	25,311				25,311
Property taxes		131,977		\$ 507,602	639,579
Other governments		30,533			30,533
Total liabilities	\$ 56,230	\$ 227,168	\$...	\$ 507,602	\$ 791,000
Fund balances:					
Reserved for debt service				\$ 771,785	\$ 771,785
Designated for Preschool and Adult Ed.		\$ 42,119			42,119
Unreserved	\$ 355,082		\$ 87,292		442,374
Total fund balances	\$ 355,082	\$ 42,119	\$ 87,292	\$ 771,785	\$ 1,256,278
Total liabilities and fund balances	\$ 411,312	\$ 269,287	\$ 87,292	\$ 1,279,387	\$ 2,047,278

**SAN JUAN SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL LUNCH	NON K-12 PROGRAMS	SAN JUAN EDUCATION FOUNDATION	DEBT SERVICE	
REVENUES:					
Property tax		\$ 151,520		\$ 582,768	\$ 734,288
School lunch sales	\$ 225,904				225,904
Earnings on investments			\$ 3,134	595	3,729
Other local revenues		33,172	13,322		46,494
State aid	141,046	346,623			487,669
Federal aid	906,128	304,035	13,000		1,223,163
Total revenues	\$ 1,273,078	\$ 835,350	\$ 29,456	\$ 583,363	\$ 2,721,247
EXPENDITURES:					
Current:					
Instructional services		\$ 687,119	\$ 18,810		\$ 705,929
Supporting services:					
School lunch services	\$ 1,196,758				1,196,758
Debt service:					
Principal retirement				\$ 360,000	360,000
Interest and fiscal charges				210,209	210,209
Total expenditures	\$ 1,196,758	\$ 687,119	\$ 18,810	\$ 570,209	\$ 2,472,896
Excess of revenues over (under) expenditures	\$ 76,320	\$ 148,231	\$ 10,646	\$ 13,154	\$ 248,351
Other financing sources (uses):					
Transfers out		\$ (151,509)			\$ (151,509)
Transfers in	\$ 35,000				35,000
Total other financing sources (uses)	\$ 35,000	\$ (151,509)	\$...	\$...	\$ (116,509)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 111,320	\$ (3,278)	\$ 10,646	\$ 13,154	\$ 131,842
Fund Balances - Beginning of year	243,762	45,397	76,646	758,631	1,124,436
Fund Balances - End of year	\$ 355,082	\$ 42,119	\$ 87,292	\$ 771,785	\$ 1,256,278

SAN JUAN SCHOOL DISTRICT
COMPARABILITY COST SUMMARY BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2006

	DISTRICT OFFICE	DISTRICT WIDE	DETENTION CTR/JAIL	BLANDING ELEMENTARY	BLUFF ELEMENTARY	LA SAL ELEMENTARY	MEXICAN HAT ELEMENTARY	MONTEZUMA CREEK ELEMENTARY
Enrollment				537	59	9	189	208
Student Service and Operations:								
Instructional:								
Salaries and benefits:				\$ 1,407,111	\$ 350,149	\$ 85,983	\$ 694,428	\$ 620,536
Basic program				89,499	59,624		28,461	60,432
Bilingual and ESL								
Vocational								
Special Programs		\$ 80,320		687,366	80,846	4,687	376,576	346,321
Supplies and books		324		149,947	47,191	6,009	103,446	131,918
Equipment and repair				8,446	398	61	1,276	2,821
Training/Purchase services		1,016		150,139	23,176	5,558	72,956	74,085
Other		388		13,878	1,525	233	4,884	5,375
Counseling				118,430	18,270	1,873	53,665	53,794
Media services				108,668	3,607	1,210	52,421	74,046
Support services	\$ 692,329	\$ 627,105		6,934	16,298		17,390	15,023
Administration - Schools				181,239	95,200	6,632	120,251	132,619
Administration - District	1,196,757			10,399	3,116	1,133	4,547	4,418
Student transportation				311,560	116,537	6,078	221,921	229,901
Building, maintenance and utilities	1,033,901	403,395		198,597	92,957	41,815	158,775	186,760
Total student services and operations	\$ 2,922,987	\$ 1,030,500	\$ 82,248	\$ 3,442,213	\$ 908,894	\$ 161,272	\$ 1,910,997	\$ 1,938,049
Equipment, Maintenance and Debt Service:								
Instructional equipment		\$ 495,373		\$ 16,709	\$ 5,559	\$ 2,877	\$ 14,810	\$ 3,695
Support Services equipment	\$ 109,637			136,419	12,615	2,959	40,599	69,356
Maintenance/Custodial equipment	66,952	10,257		12,086	37,863	90,955	12,858	68,873
Building improvement	22	571,783		54,154				600
New construction and debt								
Total equipment, maintenance and debt service	\$ 176,611	\$ 1,077,413	\$...	\$ 219,368	\$ 56,037	\$ 96,791	\$ 68,267	\$ 142,524
Other Services:								
Food Services	\$ 95,129	\$ 118,092	\$ 14,963	\$ 201,990	\$ 51,902	\$ 14,728	\$ 97,299	\$ 114,812
Community services/Other		388,037	32,459	97,019	45,577	2,475	50,015	41,887
Total other services	\$ 95,129	\$ 506,129	\$ 47,422	\$ 299,009	\$ 97,479	\$ 17,203	\$ 147,314	\$ 156,699
Total governmental funds	\$ 3,194,727	\$ 2,614,042	\$ 129,670	\$ 3,960,590	\$ 1,062,410	\$ 275,266	\$ 2,126,578	\$ 2,237,272
Housing costs	\$...	\$...	\$...	\$...	\$...	\$ 1,422	\$ 30,385	\$ 68,177
GRAND TOTAL	\$ 3,194,727	\$ 2,614,042	\$ 129,670	\$ 3,960,590	\$ 1,062,410	\$ 276,688	\$ 2,156,963	\$ 2,305,449

SAN JUAN SCHOOL DISTRICT
COMPARABILITY COST SUMMARY BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2006

	MONTECELLO ELEMENTARY	ALBERT R. LYMAN MIDDLE	MONTECELLO HIGH	MONUMENT VALLEY HIGH	SAN JUAN HIGH	WHITE- HORSE HIGH	NAVAJO MOUNTAIN HIGH	TOTAL
Enrollment	323	285	294	230	400	308	45	2,887
Student Service and Operations:								
Instructional:								
Salaries and benefits:								
Basic program	\$ 836,178	\$ 937,290	\$ 992,501	\$ 756,587	\$ 1,149,752	\$ 950,192	\$ 273,238	\$ 9,053,945
Bilingual and ESL	16,594	62,883	26,529	47,836	33,937	92,808	21,722	540,325
Vocational		3,852	205,284	150,569	327,542	201,485	61,588	950,320
Special Programs	387,214	265,371	196,848	294,711	330,673	618,673	54,075	3,723,881
Supplies and books	89,139	97,286	75,957	83,561	104,383	139,130	28,165	1,056,456
Equipment and repair	8,079	24,494	32,037	47,330	69,887	91,310	34,335	320,474
Training/Purchase services	111,565	92,934	129,585	123,303	207,089	191,585	32,346	1,216,337
Other	8,346	7,795	8,121	6,455	10,879	9,860	1,714	79,453
Counseling	67,227	133,182	151,328	142,333	244,702	134,640	25,709	1,145,153
Media services	75,364	82,629	71,538	68,228	67,849	55,399	1,133	662,092
Support services	3,740	18,755	7,181	1,749	17,793	8,863	2,706	1,435,866
Administration - Schools	129,836	157,069	163,482	156,557	208,124	167,957	112,888	1,631,854
Administration - District	6,688	7,395	10,990	11,221	17,719	8,274	3,073	1,285,730
Student transportation	221,876	198,646	213,807	247,367	256,776	316,583	37,984	2,379,036
Building, maintenance and utilities	183,458	183,097	339,176	358,160	340,463	319,090	147,386	3,987,030
Total student services and operations	\$ 2,145,304	\$ 2,273,678	\$ 2,624,364	\$ 2,495,967	\$ 3,387,568	\$ 3,305,849	\$ 838,062	\$ 29,467,952
Equipment, Maintenance and Debt Service:								
Instructional equipment	\$ 6,626	\$ 6,660	\$ 15,589	\$ 33,105	\$ 19,247	\$ 10,320		\$ 135,197
Support Services equipment								495,373
Maintenance/Custodial equipment	75,498	56,486	110,571	57,057	126,814	115,498	26,086	939,595
Building improvement	304,770	15,433	118,216	24,919	108,858	15,027		887,067
New construction and debt	2,983	85,968	35,158	9,598	82,251	78,506		921,023
Total equipment, maintenance and debt service	\$ 389,877	\$ 164,547	\$ 279,534	\$ 124,679	\$ 337,170	\$ 219,351	\$ 26,086	\$ 3,378,255
Other Services:								
Food Services	\$ 99,030	\$ 108,318	\$ 62,746	\$ 77,528	\$ 75,777	\$ 135,221	\$ 24,351	\$ 1,196,757
Community services/Other	33,481		1,081	18,589	3,841	13,389	11,806	834,785
Total other services	\$ 132,511	\$ 108,318	\$ 63,827	\$ 96,117	\$ 79,618	\$ 148,610	\$ 36,157	\$ 2,031,542
Total governmental funds	\$ 2,667,692	\$ 2,546,543	\$ 2,967,725	\$ 2,716,763	\$ 3,804,356	\$ 3,673,810	\$ 900,305	\$ 34,877,749
Housing costs	\$	\$	\$	\$	\$	\$	\$	\$
GRAND TOTAL	\$ 2,667,692	\$ 2,546,543	\$ 2,967,725	\$ 2,790,973	\$ 3,804,356	\$ 3,743,306	\$ 932,717	\$ 35,153,851
FUNDS HELD IN TRUST (San Juan County Recreation and San Juan Education Foundation)							108,810	
TOTAL EXPENDITURES								\$ 35,262,661

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MEMBERS

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Board of Education
San Juan School District
Blanding, Utah 84511

**RE: Report on Legal Compliance with Applicable
Utah State Laws and Regulations**

We have audited the basic financial statements of San Juan School District for the year ended June 30, 2006 and have issued our report thereon dated September 7, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit guide for the year ended June 30, 2006.

The District received the following major State assistance programs from the State of Utah.

Minimum School Program (State Office of Education)
School Lunch Programs (State Office of Education)

The District also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

Driver Training (State Office of Education)
Early Intervention (State Office of Education)
Tobacco Prevention (State Office of Education)
UPASS (State Office of Education)
Professional Development (State Office of Education)
Arts Education (State Office of Education)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements

Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of San Juan School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, San Juan School District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

SMUIN, RICH & MARSING



Price, Utah

September 7, 2006

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

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Price, Utah 84501

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MEMBERS

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Board of Education
San Juan School District
Blanding, Utah 84511

**RE: Report on Compliance and on Internal
Control Over Financial Reporting Based
on an Audit of Financial Statements
Performed in Accordance With Govern-
ment Auditing Standards**

We have audited the financial statements of San Juan School District as of and for the year ended June 30, 2006, and have issued our report thereon dated September 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

September 7, 2006

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San Juan School District
Blanding, Utah 84511

RE: Report on Compliance With Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance With OMB Circular A-133

Compliance

We have audited the compliance of San Juan School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

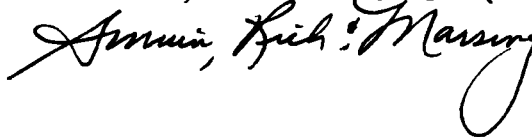
Internal Control Over Compliance

The management of San Juan School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING



Price, Utah

September 7, 2006

SAN JUAN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL CFDA NUMBER	FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2005	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2006
84.041	PL 874		\$ 5,654,836	\$ 5,654,836	\$ 5,654,836		
84.184	Safe and Drug-Free Learning		2,848,213	368,927	368,927	368,927	
84.334A	Gear-up		620,300	69,384	69,384	69,384	
84.299A	Demonstration for Indian Child		233,165	233,165	233,165	233,165	*
84.060	Title VII - Indian Education		308,048		304,806	304,806	
	Total Direct Programs		\$ 9,664,562	\$...	\$ 6,631,118	\$ 6,631,118	\$...
84.318	Passed through State Department		\$ 21,738	\$ 3,695	\$ 18,043	\$ 21,738	
84.027	of Education:		1,358,741	650	680,199	680,849	*
84.173	Technology Literacy Challenge		150,122		79,312	79,312	
84.048	IDEA PL 101476		150,656	10,421	107,835	118,256	*
84.367	P.L. 99-457 EHA-B Preschool		569,352		399,937	399,937	*
84.002	Vocational Education - Carl Perkins		110,680		48,643	48,643	
84.186A	Improve Teacher Quality		69,603		22,718	22,718	
84.181	Adult Basic Education		126,490		126,377	126,377	
84.365	Drug-Free Schools		112,101		78,512	78,512	
84.010	Early Intervention		2,503,855		1,320,149	1,320,149	*
84.318X	Formula Flow Through		50,303		40,038	40,038	
84.215	Title I Basic & Consecutive		10,000		10,000	10,000	
84.215	Title IID Educational Technology		106,814		8,656	8,656	
84.357	Curriculum Administration		775,412		495,236	495,236	
	Education licensing - rural school						
	Read First						
	Total pass through State Department of Education		\$ 6,115,867	\$ 14,766	\$ 3,435,655	\$ 3,450,421	\$...
	Total Department of Education		\$ 15,780,429	\$ 14,766	\$ 10,066,773	\$ 10,081,539	\$...

SAN JUAN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2005	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2006
U.S. DEPARTMENT OF AGRICULTURE							
Passed through State Department							
of Agriculture:							
National School Lunch Program	10.555		\$ 712,087	\$	\$ 665,739 *	\$ 665,739 *	
National School Breakfast Program	10.553		177,105		177,105	177,105	
U.S.D.A. Commodities	10.550		62,980		62,980	62,980	
Forest Reserve	10.665		56,647		56,647	56,647	
National School Lunch - Special Milk	10.556		457		304	304	
Total Department of Agriculture			\$ 1,009,276	\$	\$ 962,775	\$ 962,775	\$
U.S. DEPARTMENT OF THE INTERIOR							
Passed through Navajo Nation:							
Indian Education	15.130		\$ 120,178		\$ 109,795	\$ 109,795	
Total Department of the Interior			\$ 120,178	\$	\$ 109,795	\$ 109,795	\$
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed through Northern Navajo Medical Center			\$ 26,700		\$ 9,089	\$ 9,089	
National Health Promotion	93.990		\$ 26,700		\$ 9,089	\$ 9,089	
Total Department of Health and Human Services			\$ 53,400	\$	\$ 18,178	\$ 18,178	\$
Total Federal Assistance			\$ 16,936,583	\$ 14,766	\$ 11,148,432	\$ 11,163,198	\$

* Major programs (some programs were part of a cluster)

SAN JUAN SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the San Juan School District (District). The District reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types, which is described in Note 1 to the basic financial statements.

Food commodities are non-cash federal awards. The calculation of the federal award expenditure is equal to the amount of commodities consumed during the year, expressed at market value. Market values are received monthly from the USDA detailing the market value of the USDA goods received for the month.

**SAN JUAN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of San Juan School District.
2. There were no reportable conditions and no material weaknesses disclosed in internal control by the audit over the financial statements.
3. No instances of noncompliance material to the financial statements of San Juan School District were disclosed by the audit.
4. There was no reportable condition or material weakness in internal control over major programs disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs for San Juan School District expresses an unqualified opinion.
6. The audit of San Juan School District's major program disclosed no audit findings relating to major programs that the auditor is required to report.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA#</u>
PL 874	84.041
School Breakfast Program	10.553
Family Involvement	84.367
Vo-ed Basic Carl Perkins	84.048
Demonstration for Indian Child	84.299A
Title I Basic & Consecutive	84.010
Idea PL 101476	84.027
National School Lunch – Prog. Section 4	10.555

8. The threshold for distinguishing Type A programs was \$334,902.
9. San Juan School District was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

**SAN JUAN SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

San Juan School District had no prior audit findings that were required to be reported in the previous audited financial statements.

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Honorable Board of Education
San Juan School District
Blanding, Utah 84511

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of San Juan School District for the year ended June 30, 2006.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems, policies and procedures, this memorandum should not be considered all-inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

INTERNAL CONTROL AND COMPLIANCE

YOUTH IN CUSTODY

Administrative rule R277-419-4 (G) requires students who are enrolled in Youth-In-Custody (YIC) for two to four hours a day to record their membership under the YIC Program Code for membership accounting. The balance of the other half would be recorded as regular membership. If the student was enrolled in YIC classes for more than four hours a day the students membership would be recorded under the YIC program code and regular membership would be zero for the day. While auditing pupil accounting for aggregate days membership we found that five of the students we tested had been record in Youth In Custody membership and also reported for regular membership. This has the effect of double reporting of membership to the State Office of Education.

We recommend the District review the current procedures being used to monitor and record membership of youth in custody students. If current internal controls are adequate, staff should be encouraged to follow through and implement these procedures. If additional procedures are necessary to comply with State requirements, the District should adopt and implement new procedures necessary to bring them into compliance.

District Response – The District will review the procedures being used to accumulate youth in custody and regular membership information. If necessary, the District will develop additional procedures and internal controls to ensure that membership for students in youth-in-custody is reported correctly.

MEDIA CENTER

Cash Receipts – We examined the cash receipting procedures of the Media Center for the last fiscal year. We also reviewed these procedures last year as part of auditing procedures. In both years we found that the Media Center has developed some receipting processes but feel some improvement could be made in receipting money collected by Media Center employees when attending and selling materials at functions at individual schools or at other locations. Also money collected at the Media Center needs to be delivered to the District Office on a daily basis. Public funds need to be deposited at least every three days and delay of delivering funds to the District could cause problems with compliance with this requirement.

Inventory – The Media Center is involved in developing specialized teaching materials especially with respect to the Navajo language. Much of the materials developed have been sent to a publisher to be printed and bound into books. These books and materials are being stored at a warehouse owned by the publisher. We found that the Media Center did not have a current inventory of the materials being held.

We recommend the District develop procedures to track the book inventory and record the amount of inventory on their financial statements.

District Response – We will review the Media Center's internal controls over cash collections and receipting and make sure internal control procedures are in place to safeguard assets and make sure all transactions are properly recorded in the financial records of the District. We also will review how the Media Center is monitoring book inventory and if necessary adopt and implement internal control procedures to track inventory and make sure it is properly recorded in the District's financial statements.

SEPARATION OF ACCOUNTING FUNCTIONS

One important method to increase the internal control structure of any entity is to separate certain accounting functions among different employees. Cash receipting functions should be separated from recording transactions in the financial statements. An employee also should not have the ability to disburse money from bank accounts whether through the process of issuing checks or transferring money from one bank account to another if they also have the ability to record transactions in the financial records. While reviewing job responsibilities of some employees of the District, we found that the District Accountant receipts funds, makes reimbursement requests for grants, writes many adjusting journal entries and is responsible for recording accounting transactions. It appears that some elements of the District Accountant's responsibilities should be assigned to others. In other cases it would be prudent to require approval of certain transactions.

We recommend that the responsibility of receipting and depositing money be assigned to someone other than the District Accountant. It is also recommended, that the District Accountant not be authorized to transfer funds from bank accounts or be able to disburse any District funds. To further improve internal control, we would recommend that all adjusting journal entries be approved.

The above recommendations have been made to help improve the internal control structure of the District with respect to certain job responsibilities and have nothing to do with the performance of employees.

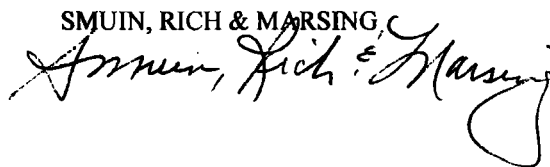
District's Response – The District is aware of the need for additional separation of duties for some employees. For the past year the District has been implementing a new software system for District and has not fully addressed all of our concerns with separation of employee duties. The District will be looking at the responsibilities of the District Accountant and other employees and making those changes that we feel are necessary to improve internal controls associated with handling District funds and recording financial transactions.

SUMMARY

We feel the accounting procedures, compliance and internal control items mentioned above are some areas where the District can make changes to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operational efficiency.

Sincerely,

SMUIN, RICH & MARSING



Price, Utah

October 18, 2005